

No. 17,638

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

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JORGEN V. KIERULFF,

*Appellant,*

*vs.*

METROPOLITAN STEVEDORE COMPANY,

*Appellee.*

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Brief on Behalf of Appellee Metropolitan  
Stevedore Company.

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## Brief on Behalf of Appellee Metropolitan Stevedore Company.

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### Introduction.

Jorgen V. Kierulff<sup>1</sup> appealed from the judgment of the Trial Court [R.<sup>2</sup> 429, 430], which dismissed his complaint, sustained Appellee Metropolitan Stevedore Company's<sup>3</sup> counterclaim for implied license, and held "that plaintiff in 1955 granted to defendant an implied license in the nature of a 'shop right' \* \* \* to make and use the machine described in \* \* \*" the patent in suit.

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<sup>1</sup>Jorgen V. Kierulff, plaintiff below and appellant on this appeal, will hereinafter be referred to as Kierulff.

<sup>2</sup>Tr. will be used to refer to the Trial Transcript; R. will be used to refer to the Record; K. will be used to refer to the Kierulff deposition; B. will be used to refer to the Buchholz deposition.

<sup>3</sup>Metropolitan Stevedore Company, defendant and counter-claimant below and appellee on this appeal, will hereinafter be referred to as Metropolitan.

Although other defenses were also pleaded [see Answer and Pre-Trial Order, R. 15 and 18 to 20 and R. 313 to 315], proved by evidence introduced during the trial, and argued at the conclusion of the trial, Judge Mathes in his Opinion [R. 400] elected to limit his decision to the single ground of implied license.

The findings of fact and conclusions of law [R. 423] are directed solely to the ground of implied license, except conclusion of law No. 4 [R. 429] in which the Court states that in view of its decision of implied license to defendant, the issues of validity and infringement have not been reached.

In view of this statement and a similar statement in the Judge's Opinion [R. 400], it is clear that the Trial Court *intended* to decide this case *solely* on the ground of implied license to Metropolitan.

### **Appellant's Concise Statement of Points on Appeal Under Rule 75(d).**

#### **Kierulff's Original Statement of Points on Appeal.**

Kierulff's Statement of Points on Appeal [R. 432] includes fourteen paragraphs, but of these, only Paragraphs Nos. 11-14, inclusive, relate to the Court's findings of fact and conclusions of law.

The four points 11-14, inclusive, are all of the "The District Court erred in failing to hold" type, and *nowhere does Kierulff assert the particular findings which are asserted to be in error.* A study of these four points indicate that it is Kierulff's position that the Trial Court should have held:

- (1) That Metropolitan at a time prior to its purchase of the equipment charged to infringe was directly notified of plaintiff's proprietary interests in the equipment;

(2) That Kierulff was under no duty to inform Metropolitan of his asserted rights and complain of its manufacture and use of the equipment; and

(3) That Metropolitan did not show a change in position.

Kierulff, pursuant to Rule 17.6, Rules of the United States Court of Appeals for the Ninth Circuit, filed a document entitled, "Appellant's Notice of Adoption of Points on Appeal and Designation of Record on Appeal," in which he adopted his statement of points on appeal under Rule 75(d). Thus, Kierulff at the time he filed his record in this Court and his Concise Statement of Points on which he Intends to Rely, admitted the correctness of all of the Trial Court's findings of fact and conclusions of law, except for those above referred to.

#### **Kierulff Revised Statement of Points.**

Kierulff's new statement of points contained in his Opening Brief, page 22 are "Specifications of Error," which are quite different from those appearing in the Record, starting at page 432. Under the guise of endeavoring to frame the basis for each error more comprehensively, "without departing, however, from the spirit or scope of the statement of points on appeal" (note at the bottom of Appellant's Brief, p. 22), Kierulff has now enlarged his specifications of error far beyond those filed under Rule 75(d) [R. 432].

In Kierulff's Brief, pages 25-29, inclusive, under the heading "H. Erroneous Findings of Fact and Conclusions of Law," Kierulff now for the first time asserts to be erroneous, portions of Findings 6, 7, 8, 9, 10,

12, 13, 14, 15, 18, 21, 22 and 23, and also the conclusions of law reached by the Trial Court.

Paragraph 6 of Rule 17 of the Rules of this Court of Appeals provides that upon filing the record in the Court the party shall also file a concise statement of points on which he intends to rely and the rule specifically states:

“\* \* \* and the Court will consider nothing but those parts of the record and the points so stated.  
\* \* \*”

There has been a number of decisions by this Circuit stating that the provisions of this Rule will be adhered to. For example, in *Western National Insurance Co. v. LeClare*, 163 F. 2d 337, in dealing with the situation where an appellant had argued points in addition to those specified in the statement of points to be relied upon, the Court said:

“\* \* \* These points were not stated in appellant’s statement of points and hence need not be considered by us. \* \* \*” [p. 340.]

Also see the Supreme Court case of *Jesionowski v. Boston & Maine R. R.*, 10 F. R. S. 75d.2, Case No. 1, wherein the Supreme Court upheld the Lower Court in refusing to consider a question because of respondent’s failure to comply with Rule 75(d).

Also see *Williams v. Dodds* (C. A. 9), 163 F. 2d 724 at page 725; *Bank of America National Trust & Savings Association v. Commissioner of Internal Revenue* (C. A. 9), 126 F. 2d 48 at page 52; and *Ritchie v. Drier* (C. A. D. C.), 165 F. 2d 238 at page 240.

Under paragraph (d) of Rule 75 F. R. C. P.; paragraph 6 of this Court’s Rule 17; and the decisions re-

ferred to above, Kierulff cannot argue and this Court need not consider any asserted errors other than those contained in the Statement of Points on Appeal as they appear in R. 432, since it is clear from the rules and the decisions that this "Court will consider nothing but \* \* \* the points so stated."

### Questions Involved on Appeal.

**Kierulff's Brief Raises Questions Which Are Not Pertinent to the Lower Court's Finding That Metropolitan Has an Implied License Under the Patent in Suit and Which Questions This Court Should Not Decide Without the Benefit of Findings of Fact by the Trial Court.**

Kierulff raises and argues several points which are not pertinent to the Lower Court's finding of an implied license; namely, the points which are directed to questions of non-infringement, invalidity, prior public use and file wrapper estoppel which were raised by Metropolitan in the Lower Court but not decided by the Trial Court. It is Metropolitan's position that in the absence of findings by the Trial Court on these various other issues this Court cannot itself decide these issues, but can only remand the case if this Court fails to agree with the Trial Court that Metropolitan has the implied license set forth in the findings of fact, conclusions of law and judgment.

The Trial Judge was able to decide this case on the sole issue of implied license. Having found that defendant Metropolitan had a license under the patent in suit, the Trial Court dismissed Kierulff's Complaint and sustained Metropolitan's Counterclaim on this basis.

The Trial Court would have reached no different result had it, in addition, held the patent invalid, non-



infringed or that there was file wrapper estoppel or prior public use. Furthermore, if the Court had decided that the patent in suit is valid and infringed, that there was no file wrapper estoppel and no prior public use, the Trial Court would still have dismissed the Complaint and sustained the Counterclaim on the ground of license.

We have found no case which deals directly with the situation where a Court found an implied license, and, therefore, did not rule on questions of validity and infringement; but we have found numerous cases where, for example, a Court finding invalidity does not rule on the question of infringement. *Dow Chemical Co. v. Halliburton Oil Well Cementing Co.*, 324 U. S. 320, 331. Also see this Court's decision in *Bergman v. Aluminum Lock Shingle Corp. of America*, 251 F. 2d 801-804.

It is believed that the rationale should be the same in all cases where a decision on one of the defenses will fully dispose of a case. There is no need nor requirement of the Lower Court to go ahead and decide other defenses where, as in this case, no additional result or different result is to be accomplished.

Here the Trial Court was able to fully dispose of the case by its decision that Metropolitan has a royalty-free license. Why should the Court go further and hold the patent invalid or valid, infringed or not infringed? If this patent is ever sued on again those questions can be thoroughly explored by the new parties.

In the final paragraph (page 80) of Kierulff's Brief, this Court is urged to make its own findings with respect to validity and infringement and to remand this case with direction to enter judgment for Kierulff on

the ground that the evidence clearly and incontrovertibly supports the conclusion of validity and infringement.

In *Coe Manufacturing Company v. Jeddeloh Brothers Sweed Mills, Inc., et al.* (C. A. 9, 1962), 306 F. 2d 455, this Court (at page 456) stated:

“\* \* \* We cannot properly determine validity of the claims on this appeal since no findings were made below with regard to the fact questions of what the prior art was and what Parker did to improve it.”

In *Hutchens v. Faas*, 249 F. 2d 465, this Court, at page 467, stated:

“Since the District Court confined itself to the question of infringement, this Court will rule on that question only. We are not given power to find facts, as the trial courts are. And invention is a question of fact, in ordinary circumstances such as are found here.”

Also see *Helbush v. Finkle*, 170 F. 2d 41, 42 (C. A. 9).

### **Actual Questions Before This Court on Appeal.**

There are in reality three questions before this Court:

1. Does defendant have an implied license under the patent in suit?
2. Was it mandatory for the Trial Court, having completely disposed of the case by finding defendant had a license, to decide all other issues raised during the trial and make findings of fact and conclusions of law with respect thereto?



3. In the total absence of findings of fact relating to the defenses of non-infringement, invalidity, lack of invention, file wrapper estoppel, prior public use, etc., can this Court make its own findings of fact and decide these particular issues?

Appellee has already answered questions 2 and 3 in the foregoing part of this Section, and there remains but the single question of whether or not Metropolitan has an implied license under the patent in suit.

### **Defendant Has an Implied License Under the Patent in Suit.**

The facts which give rise to Metropolitan's implied license are briefly as follows:

1. National Metal and Steel Corp.,<sup>4</sup> the owner of scraploaders Exhibits AB, BD, BE and the 16-foot rig of the patent in suit, by its President, Joseph S. Schapiro<sup>5</sup> invited and gave full approval and permission to Metropolitan to inspect and make drawings of said scraploaders.

2. National gave Metropolitan permission to make and use scraploaders of the design of the National scraploading structures.

3. Metropolitan's building of scraploaders of the design of the National scraploaders, putting them in use in November of 1955, and continuing to use them up to and including the present time.

4. Kierulff's knowledge of all of the above facts.

5. Kierulff's many opportunities to assert his rights

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<sup>4</sup>National Metal and Steel Corp. will hereinafter be referred to as National.

<sup>5</sup>Joseph S. Schapiro, who is President of National Metal and Steel Corp., will hereinafter be referred to as Schapiro.

and his absolute failure to do so until after his patent issued in 1960, more than four and one-half years after his knowledge of the facts.

6. Kierulff is estopped by his conduct.

7. Metropolitan's change of position when, believing it had the right to make and use scraploaders of the design of the National scraploaders, it returned to the scraploading business.

We will discuss these facts and in presenting our arguments we will show what the Trial Court found. We will show what Kierulff's objections are and we will direct the Court's attention to the evidence which establishes Kierulff's errors. In this way we will be able to simultaneously present these factors of the case as well as show the extent to which Kierulff has admitted the correctness of the Findings of Fact.

## ARGUMENT.

### Relevant Facts and Kierulff's Admissions.

Thagard W. Buchholz,<sup>6</sup> and other employees and agents of Metropolitan, saw three scraploaders at National in July and August, 1955, the two jury rigs and the 16-foot rig shown in the patent in suit. From June, 1955, National had in commercial use on its premises the two jury rigs shown in Exhibit AM, the essential or special parts of which were purchased from Modern Crane & Conveyor Co.<sup>7</sup> and delivered to National on June 20, 1955. The evidence shows that the jury rigs shown in the sketch drawn by

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<sup>6</sup>Thagard W. Buchholz, President of Metropolitan, will hereinafter be referred to as Buchholz.

<sup>7</sup>Modern Crane & Conveyor Co. will hereinafter be referred to as Modern.

Kierulff, Exhibit AM, were first used for loading a ship on June 21, 1955 [Tr. 170-G; K. 219, 259; Admission 2, R. 324]. The jury rigs include all of the elements of claim 2 of the patent in suit. Opposite page 44 of this Brief is Kierulff's sketch, Exhibit AM, with the elements of claim 2 applied to it.

The jury rigs were successfully operated scraploaders. Schapiro testified that they were *commercially* used to load 20 to 30 ships, and were used until they were worn out [Tr. 170-G, 170-I; and also K. 270, R. 329-330], and long after the first 16-foot rigs were built [K. 482, R. 333-334].

The jury rigs effected a savings of approximately \$10,000.00 for each ship loaded [K. 237, 272; R. 329, Ex. AR]; decreased the loading time from a range of from 21 to 18 days to a range of 14 to 12 days [K. 234, 272; R. 328; Ex. AR]; decreased the loading time to 40 per cent of what it had heretofore been [K. 235, 272; R. 328, 329, Ex. AR]; and saved roughly \$136.00 per hour [K. 236, 272; R. 329, Ex. AR].

In Finding 6 [R. 423] the Trial Court found the following facts:

"6. In May of 1955, National Metal and Steel Corporation, hereinafter referred to as National, employed Modern Crane and Conveyor Company hereinafter referred to as Modern, to design and construct two shiploading structures. Accordingly, Modern, on or about June 19, 1955, sold and delivered to National two shiploading structures known as the 'jury rigs' and shown in Exhibit AM."

Kierulff urges that Finding 6 is erroneous (Kierulff Brief p. 25) on the basis that Modern did not sell and deliver *all* of the parts to National.

From the standpoint of the issue of license, it is immaterial whether Modern supplied all of the parts and it is also immaterial whether or not the use of the jury rigs was a public use.

The prime point is that the jury rigs were on National property, Schapiro represented that National owned the inventions, and gave Metropolitan permission to copy and build.

Kierulff does not deny that the jury rigs Exhibit AM were in use at National starting June 21, 1955.

At least one of the jury rigs was modified in July or August to include a snubber spring and jib boom as shown in Exhibits BD and BE. Kierulff contends that the jury rig as shown in Exhibits BD, BE and the 16-foot rig was not in existence in July or August, 1955.

In Finding 7 [R. 424] the Trial Court found the following facts:

“7. In July or August of 1955, the ‘jury rigs’ shown in Exhibit AM were modified by the addition of a ‘snubber spring’ and ‘jib boom’. The modified ‘jury rigs’ are shown in Exhibits BD and BE.”

Kierulff asserts Finding 7 to be erroneous (Kierulff Brief p. 25) in stating that the modification was made in July or August of 1955, and asserts that it was made after October 15, 1955, and relies on Tr. 93, Kierulff’s depositions p. 512.

Kierulff, however, testified that the snubber was added to the jury rigs “shortly after they were put

in use" [K. 454.] Furthermore, in Admissions under Rule 36, Kierulff admitted:

"28. On or about July 31, 1955, a snubber spring was added to at least one jury rig.

"Answer: On or about July 31, 1955, a snubber coil spring was added to at least one jury rig." [Tr. 330.]

Furthermore, Schapiro testified that "It was in the month of July or August of 1955 that we added the snubber spring to the apparatus." [Tr. 170-K].

In the early part of July, 1955, National hired Kierulff for the express purpose of designing the 16-foot rig [Tr. 128, 131, 132, 135, 138, 155, 156, 171-174, 181, 182; R. 345, 347]. On July 26, 1955, the essential parts of the 16-foot rig, including the rig-shaped table, were delivered by Modern to National [Schapiro Tr. 170-M and Ex. H, fifth and sixth sheets].

In Finding 8 [R. 424] the Trial Court found the following facts:

"8. In July of 1955 National employed Modern to construct an improved design of a ship-loading structure. Accordingly, in July of 1955, the first 16 foot structure, which is shown in the patent in suit No. 2,919,042, was sold and delivered by Modern to National."

Kierulff asserts Finding 8 is erroneous (Kierulff Brief p. 25) on the basis that Modern did not manufacture *all* of the parts, and on the basis that the 16-foot rig was not completely assembled until after October 15, 1955. As to the first objection, it is immaterial whether Modern supplied all of the parts. The principal point is that the 16-foot rig was on the premises at National and (even if it were admitted that it



was not completely assembled) was inspected by Buchholz, Ponsen, employees of Wilmington, and the draftsman, Shanley, all with the permission of National. Certainly enough was there so that Shanley was able to make rather complete drawings.

In Finding 9 [R. 424] the Trial Court found the following facts:

“9. In July or August of 1955, National invited T. W. Buchholz, Vice-President of defendant, to the National premises to see and observe the National shiploading structures, including the ‘jury rigs’ shown in Exhibit AM, the modified ‘jury rigs’ shown in Exhibits BD and BE, and the sixteen foot structure shown in the patent in suit No. 2,919,042.”

Kierulff (Kierulff Brief p. 26) objects to this Finding on two grounds: first, that Buchholz testified he never saw the 16-foot structure in operation; and, second, that the 16-foot structure was not even in existence. Finding 9 does not state that Buchholz saw the equipment in operation, it merely says that he was invited to the premises to see and observe the structures. As to the date of existence of the 16-foot structure, see the argument on page 13.

In Finding 10 [R. 424] the Trial Court found the following facts:

“10. In July or August of 1955, T. W. Buchholz and Ray Ponsen, another employee of defendant, entered the National premises to see and observe the National shiploading structures shown in Exhibits AM, BD and BE. At the time of said visit plaintiff was present, knew the nature and purpose of the visit, had the opportunity to in-

form Messrs. Buchholz and/or Ponsen that he objected to their seeing and observing the said shiploading structures, but failed to so do.”

Kierulff (Kierulff Brief p. 26) asserts that this Finding is erroneous *because* he had no right or duty to object. However, Finding 10 only asserts that at the time of the visit Kierulff was present, knew the nature and purpose of the visit and had the opportunity to object, but failed to so do.

Kierulff further asserts error on the ground that Exhibits BD and BE were not then in existence. We have pointed out heretofore Kierulff’s testimony and his admission under Rule 36 that the structure of Exhibits BD and BE was in existence at least as early as July 31, 1955.

Kierulff makes no objection to Finding 11 which finds that Messrs. Buchholz and Ponsen, during the course of the visit referred to in Finding 10, were invited back to see and observe Exhibits AM, BD and BE in operation.

In Finding 12 [R. 424-425] the Trial Court found the following facts:

“12. A few days after the invitation referred to in Finding 11, Messrs. Buchholz and Ponsen entered the National premises to see and observe the National shiploading structures shown in Exhibits AM, BD and BE in operation. At this time plaintiff was present, knew the nature and purpose of the visit, had the opportunity to inform Messrs. Buchholz and/or Ponsen that he objected to their seeing and observing the National shiploading structures shown in Exhibits AM, BD and BE in operation, but failed to so do.”



Kierulff (Kierulff Brief p. 27) raises the same objection to Finding 12 as he does to Finding 10. It is to be noted in connection with both Finding 10 and Finding 12, Kierulff does *not* deny the portions of these Findings which state “at the time of said visit plaintiff was present, knew the nature and purpose of the visit, had the opportunity to inform Messrs. Buchholz and/or Ponsen that he objected to their seeing and observing the said shiploading structures, but failed to so do.”

Kierulff was personally present when the superintendent of the National yard passed employees of Wilmington Welding & Boiler Works<sup>8</sup> through the gates for the purpose of inspecting and copying the National scraploader [K. 393, 397 and 418].

Kierulff testified as follows:

“Q. Right. You were present when the superintendent passed them through the gates? A. I asked, ‘Who are they?’ He said, ‘From Wilmington & Boiler Works. They been invited over to look this stuff over.’ This is how I had information from Mr. Sieverson. But I bring that point up, too, because I think it is very important.” [K. 399, lines 18-24].

Kierulff was keeping *close track* of what was going on. He testified:

“‘Mr. Williams: Q. Who entered from Wilmington on the premises of National? A. Oh, there, I wasn’t introduced to them; I don’t know personally. *I saw people come in and I kept an eye on it and saw what was going on, but I don’t know who they were, in person.*’

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<sup>8</sup>Wilmington Welding & Boiler Works will hereinafter be referred to as Wilmington.

“Is it true that you were asked that question and gave that answer? A. Correct, sir.” [K. 395, lines 4-12.]

In Finding 13 [R. 425] the Trial Court found the following facts:

“13. A few days after the visit referred to in Finding 12, National gave T. W. Buchholz permission to send his fabricators to the National premises to sketch the National shiploading structures shown in Exhibits AM, BD and BE, and shown in the patent in suit No. 2,919,042. At this time National gave T. W. Buchholz permission to build and use shiploading structures of the designs of the National shiploading structures shown in Exhibits AM, BD, and BE, and shown in the patent in suit No. 2,919,042. Plaintiff was fully aware of the fact that National had given defendant permission to make and use shiploading structures of the design of the National shiploading structures shown in Exhibits AM, BD and BE, and shown in the patent in suit No. 2,919,042, and had the opportunity to inform the defendant, its officers, agents, or employees of his objections thereto and assert his rights in and to said shiploading structures, but failed to so do.”

Kierulff's objections to this Finding (Kierulff's Brief, p. 27) are:

1. That the rigs shown in Exhibits BD and BE and the patented rig were not in existence during the stated times.
2. That Kierulff's lack of complaining is founded on a faulty premise.

3. That Kierulff had no right or duty to complain because he had no patent or patent application during the stated times.

Kierulff makes no objection to the finding of fact that Buchholz was given permission to build and use scraploaders or that Kierulff was fully aware of the fact that National had given Metropolitan permission to make and use scraploaders of the design of the National scraploaders.

In Finding 14 [R. 425-426] the Trial Court found the following facts:

“14. A few days after the events referred to in Finding 13, Robert H. Shanley, an engineer employed by Wilmington Welding & Boiler Works, acting as agent and on behalf of defendant, together with Ray Ponsen, were admitted on to the National premises and were permitted to make drawings of the National shiploading structures shown in Exhibits AM, BD and BE, and shown in the patent in suit No. 2,919,042. Plaintiff was fully aware of the presence of Messrs. Shanley and Ponsen, of the nature and purpose of their visit, and was in a position to inform them that he objected to their making drawings of said shiploading structures, but failed to so do.”

Kierulff (Kierulff Brief p. 27) asserts this Finding to be in error on the ground that the structures were not in existence during July and August of 1955.

The evidence supporting Findings 12 and 14 convincingly shows that the scraploader apparatus was in existence.

In view of Kierulff's repeated erroneous assertion that the jury rigs and the 16-foot rig were not avail-

able for inspection in July or August of 1955, we are directing the Court's attention to evidence which convincingly establishes that this equipment was in existence and was at National's yard.

The 16-foot rig, the patent in suit, was inspected by a number of witnesses who not only saw the equipment but also measured it and made drawings.

Robert H. Shanley is an engineer who was hired by Wilmington for the purpose of inspecting the apparatus, sketching it and making drawings. Shanley's testimony is particularly valuable because he testified from his business diary, notes and drawings, which reliably establish dates and refreshes his recollection.

On direct examination Shanley testified that on Thursday, August 25, his notes show that he made the drawings Exhibits BL and BK from free-hand sketches given to him by Mr. Stone [Tr. 193]. Shanley also testified he did nothing further until August 31, 1955, on which date he went over to National "and measured up one of the shiploading devices that was then mounted on a ship" [Tr. 195]. Shanley testified that the loader which he saw on August 31, 1955 had a round table [Tr. 198]. In fact he testified "It had a round table. I never saw another type of table other than the round table." [Tr. 198]. The round table has reference to the scraploader shown in the patent in suit which is thuswise distinguished from the jury rigs which had a trapezoidal table.

Mr. Calimafde, Kierulff's attorneys tried hard on cross-examination to break down Shanley's testimony but utterly failed, as is illustrated by the following cross-examination of Shanley:

"Q. On August 31, 1955, when you visited the National shipyards did you see one or more



than one scraploader? A. I saw one unit in detail, and I saw another one the length of a ship away. I didn't visit it.

Q. You saw two, but one closely, one in detail?

A. That's right.

Q. Is it your recollection—I understood from your testimony on direct examination that the one you saw in detail had a circular turntable. A. That's correct." [Tr. 203].

"Q. Did you see the turntable rotate? A. No." [Tr. 204].

Mr. Calimafde then attempted to prove that Shanley only saw the circular turntable, and his question and the answer is as follows:

"Q. Is it possible, Mr. Shanley, that you saw only the circular turntable? A. No. I measured the unit up in detail, and the details that are reflected in that drawing reflect accurately what I saw. I didn't design anything. All I did was copy it." [Tr. 204].

Shanley's testimony should be given great weight because it was from the equipment he saw and the sketches he made that he prepared the drawings from which the scraploaders were actually constructed [Tr. 195-199]. Shanley's drawings all show the complete assembly of scraploader which has all of the essential elements of the patent in suit.

The witness Stone, superintendent at Wilmington, testified that he visited National about the middle of August, 1955, accompanied by Ponsen, and that they measured the equipment [Tr. 221]. Stone recalled that the table of the scraploader was round "just like the three we made in the shop."

The drawings made by Stone were turned over to Shanley and it was from these drawings that Shanley made the original drawings Exhibits BL and BK on August 25, 1955 [Tr. 193]. This portion of Stone's testimony is as follows:

"Q. Did you thereafter make sketches from the information which you obtained? A. I made rough penciled sketches at that time, and then I turned them over to Mr. Shanley. Then he made up prints so we could build the units.

Q. Now, would you look at Exhibit BK, and would you state whether or not Exhibit BK discloses the shiploading device which you saw at Wilmington, or at National Metals? A. This is very similar, yes. It's just about what we measured up over there, except for a few details." [Tr. 221 and 222].

Indeed, Kierulff himself testified that:

"Q. Well, isn't it true that in the latter part of 1955 you knew that Wilmington Welding & Boiler Works men came onto the premises of National Metal for the purpose of inspecting the loading machines? A. The loading machines, yes.

Q. By Mr. Whann: What loading machines? A. The loading machines we had at that time, all of them.

Q. What machines were they? A. The jury rigs and the first 16-footer that was built." [K. 397].

The employees of Wilmington, namely, Stone and Brunskill, came on to the property in August of 1955 and this, therefore, fixes the date of the incidences referred to in the above-quoted portions of Kierulff's testimony.

Ponsen, an employee of National, testified that he made two visits to National prior to August 29, 1955. As to the first visit he said:

“A. At that time I was with Mr. Buchholz, and we visited the ship.

Q. What did you see? A. We saw on board the ship—there were, I believe, two devices being used to trim the scrap into the hold of the vessel.

Q. Were the two devices being used to load scrap? A. Yes, sir. Yes, indeed, they were.

Q. Will you state what you observed, how they were using them? A. Well, these devices were sitting on the square and the scrap was dumped into the circle onto a chute, and then onto—the gravity took it down the hatch and stowed it.” [Tr. 211].

As to the second visit, Ponsen says that was a week or ten days later and he was in the company of Messrs. Brunskill and Stone of Wilmington [Tr. 212]. With respect to what was done on the second visit, Ponsen testified:

“Q. Did you observe any scraploaders on that visit? A. Yes. We went over there to measure one up.

Q. What did you see? A. Well, we saw a 16-foot circle there. We measured the whole thing. And one of those devices was sitting on the ground there, and we measured the whole thing up and took the information with us.” [Tr. 212].

In Finding 15 [R. 426] the Trial Court found the following facts:

“15. In August of 1955, plaintiff visited T. W. Buchholz for the purpose of selling defendant ship-loading structures of the design shown in the



patent in suit No. 2,919,042. At the time of this visit plaintiff knew of defendant's intent to build three shiploading structures of the design of the shiploading structures shown in Exhibits AM, BD and BE and in the patent in suit No. 2,919,042, but failed to voice any objection thereto."

Kierulff's only objection to this Finding is the statement that plaintiff knew of defendant's intent to build three shiploading structures.

Since Kierulff knew (as shown by the evidence) that National had given Metropolitan permission to inspect, copy, make and use scraploaders of the design of the National scraploaders, since Kierulff knew that employees of Wilmington, as agents of Metropolitan, entered the National premises to make construction drawings of the National scraploaders, and since Kierulff visited Buchholz for the sole purpose and intent of selling Metropolitan three scraploaders of the design of the National scraploaders, Kierulff unquestionably knew that it was Metropolitan's intention to build scraploaders of the design of the scraploaders which Metropolitan saw at National.

Kierulff makes no objection to Findings 16 and 17, which find as follows [R. 426]:

"16. In August or September of 1955, defendant placed an order with Wilmington Welding & Boiler Works for the construction of three shiploading structures. In October of 1955, Wilmington Welding & Boiler Works sold and delivered to defendant three shiploading structures shown in plaintiff's Exhibit 4. Plaintiff knew that three shiploading structures shown in plaintiff's Exhibit 4 had been sold and delivered to defendant, and

that defendant intended to use said shiploading structures in the ordinary course of its business, but failed to state any objection thereto.

“17. In December of 1955, or January of 1956, plaintiff and Joseph Schapiro, president of National, visited the defendant’s premises and observed the defendant’s shiploading structures shown in plaintiff’s Exhibit 4. At this time, plaintiff expressed no objection to defendant making, using or continuing to use said shiploading structures.”

Kierulff’s knowledge of National’s policy of allowing others to have free use of the national scraploaders is demonstrated by Kierulff’s many discussions with Schapiro. Kierulff testified as follows:

“Q. Did Mr. Shapiro tell you that he wanted to let other people use these free of charge? A. Yes, he informed me to that effect.

Q. You knew that he had not only offered free use of these rights to Metropolitan but also to Commercial? A. I am aware of that.” [K. 405, lines 17-22].

“Q. When was the first time that he informed you that he wanted others to have free use of the invention? A. He informed me when I had acquired knowledge of Metropolitan Stevedore Company securing documents and information, and I had brought this to his attention. And he said, ‘What is going on?’ And I referred to it again. I said, ‘Mr. Hirschberg seems to be behind this move.’ He informed me that ‘Helmuth did it, it is all right, don’t worry about it, pay no attention to it.’” [K. 412, lines 21-26; 413, lines 1-3].

The date of this conversation is fixed for the reason that it was in July and August of 1955 that National, through its officers and agents gave Metropolitan permission to inspect, make drawings and copy.

Kierulff also testified as follows:

“A. The dispute was—arisen this way, that Mr. Shapiro had gotten wind of my dealing with Commercial Metals by way of a carbon copy of a letter forwarded to him and was aware that I was exercising what he considered his rights, in his behalf, rather than as I feel I was exercising my own. And due to my persistence in insisting in obtaining patent rights and his refusing, Mr. Shapiro came flat out and made the statement to me at one time, ‘Now, George, if you are going to patent this thing here I am going to fight you in the Patent Office with every means I have. We have made certain commitments and we do not wish to become co-defendants in any future litigation under any form. You may rest assured I am going to try and block you.’” [K. 420, line 26-421, line 12].

Kierulff makes no objections to Findings 19 and 20 [R. 427], which read as follows:

“19. During the period July 1955 to January 1960 plaintiff had numerous opportunities to express his objections to defendant’s construction, use and continued use of its shiploading structures shown in plaintiff’s Exhibit 4 and assert his rights in and to said structures, but failed to so do.

“20. It was not until January 1960—four and one-half years after plaintiff first had knowledge of defendant’s construction, use and intent to con-

tinue to use its shiploading structures shown in plaintiff's Exhibit 4—that plaintiff, for the first time, objected to defendant's use of said shiploading structures.”

Kierulff, however, does contend Finding 18 [R. 426-427] which states:

“18. At no time during the period July 1955 to January 1960 did plaintiff voice any objection to defendant's construction, use or continued use of its shiploading structures shown in plaintiff's Exhibit 4, and/or assert any rights in and to said structures.”

is erroneous in stating “at no time during the period July, 1955 to January, 1960 did plaintiff \* \* \* assert any rights in and to said structures”. Kierulff argues that in August, 1955, Buchholz knew of Kierulff's proprietary rights in the design. This contention is absolutely groundless.

Kierulff, in his opening Brief, argues that Metropolitan was informed of Kierulff's proprietary interest by the notice on the drawing, Exhibit AU (Kierulff's Brief p. 28). This drawing was not disclosed to Buchholz during the course of Kierulff's visit to Metropolitan on behalf of Modern for the purpose of selling scraploaders of the design of the National scraploaders to Metropolitan, but accompanied the offer to build sent by Modern to Metropolitan on August 23, 1955. This is Exhibit AT and the last paragraph of the letter states: “Enclosed is a set of general specifications and schematic drawing of the shiploader.”

The notice on Exhibit AU which appears in the upper left-hand corner, reads: “The use of this drawing shall be restricted to the conveyance of informa-



tion to the customers or vendors only. This drawing may not be reproduced without written consent of Modern Crane and Conveyor Co.”

This is not a notice of any proprietary right or interest of Kierulff in any equipment. It appears to indicate that the drawing is the property of Modern Crane & Conveyor Co. It is *not* stated that the information is proprietary or confidential. The only limitation imposed is a limitation imposed by *Modern Crane & Conveyor Co.* that “The use of this drawing shall be restricted to the conveyance of information to the customers or vendors only.”

Certainly no one from reading this notice would conclude that Kierulff claimed himself to be the owner of any invention embodied in the structure disclosed in this drawing.

Kierulff’s present position of notice of proprietary interest and his present inference that this should have warned Buchholz or Metropolitan that it could not build the scraploaders which it had seen at National, is plainly contrary to Kierulff’s Admission [Admission 128, R. 349], which reads:

“128. The first objection which Plaintiff made to Metropolitan Stevedore Company with respect to their building or using the two loaders which plaintiff now charges are an infringement of the Kierulff patent was after said patent had issued.

“*Answer:* Admitted.”

The evidence is plain that the Trial Court’s findings of fact are supported by substantial evidence and Kierulff has not made any showing adequate to meet the “clearly erroneous rule” stated in F.R.C.P. 52(a), as follows:

“\* \* \* Findings of Fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses. \* \* \*”

Also see *Ruud v. American Packing & Provision Co.*, 177 F. 2d 838 (C. A. 9, 1949), *Nuelsen v. Sorensen*, 293 F. 2d 454 (C. A. 9, 1961), and *Joseph v. Donover Co., Inc.*, 261 F. 2d 812 (C. A. 9, 1958).

The Trial Court's Finding 21 [R. 427-428] is important since it finds the essential facts imposing the duty on Kierulff. In Finding 21 [R. 427-428] the Trial Court found the following facts:

“21. Plaintiff was under a duty to assert his rights and state his objections to defendant, its officers, agents, or employees when he first learned: that National had given defendant permission to see and observe its shiploading structures shown in Exhibits AM, BD, BE and in the patent in suit No. 2,919,042; that National had given defendant permission to copy, make and use shiploading structures of the design of the shiploading structures shown in Exhibits AM, BD, BE and in the patent in suit No. 2,919,042; that defendant intended to build three shiploading structures of the design of the shiploading structures shown in Exhibits AM, BD, BE and in the patent in suit No. 2,919,042; that three shiploading structures shown in plaintiff's Exhibit 4 had been constructed, sold and delivered to defendant; and that defendant intended to use and continue to use the three shiploading structures shown in plaintiff's Exhibit 4 in the ordinary course of its business.”

Kierulff's *only* objection to this Finding (Kierulff's Brief, p. 28) is that “Kierulff was under no duty to

complain *because* during the period prior to the issuance of his patent he possessed no enforceable right.” Thus, it appears Kierulff is willing to admit that if he, Kierulff, had an enforceable right then he would have had the duty to complain.

The Lower Court, after weighing all the evidence, found that there was a duty, and it is respectfully submitted that this holding by the Court is clearly substantiated by the facts and law.

There can be no doubt that the owner of an invention or one *claiming* ownership of an invention does have a right before a patent application has been filed.

Before reviewing the facts and the law on this issue it is important to note that both Kierulff and Buchholz were on the witness stand. Their testimony was heard by Judge Mathes, and their demeanor observed. The learned Trial Judge thereafter evaluated all the evidence on this subject and found that Metropolitan did not know Kierulff claimed any rights in the scraploaders and that Metropolitan “believed that the permission granted to it by National gave it the complete right to make and use the shiploading structures shown in Exhibits AM, BD and BE, and in the patent in suit No. 2,919,042.” [Finding 22, R. 428].

The basic rights which Kierulff had were his common-law rights to his invention and his right to file an application and obtain a patent. In dealing with the right of an inventor to his invention this Court in *Six Wheel Corporation v. Sterling Motor Truck Co.*, 50 F. 2d 568, 570 (May 18, 1931) said:

“The right of an inventor to the product of his talent is recognized by the common law. \* \* \*



“‘It is to be observed that no constitutional or statutory provision of the United States was, or ever has been, necessary to the right of any person to make an invention, discovery, or machine, or to use it when made, or to sell it to some one else. Such right has always existed, and would exist now if all patent laws were repealed. It is a right which may be called a natural right, and which, so far as it can be regulated by law, belongs to ordinary, municipal legislation; and it is unaffected by anything in the constitution or patent laws of the United States.’”

As to Kierulff’s right to obtain a patent for any invention he made, 35 U.S.C.A. Section 101 provides:

“Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, *may obtain a patent therefor*, subject to the conditions and requirements of this title. July 19, 1952, c. 950, § 1, 66 Stat. 797.” (P. 172, emphasis added.)

In *Gayler, et al. v. Wilder*, 51 U. S. 477, the United States Supreme Court said that an inventor has an *inchoate* right, which he may make absolute by obtaining a patent:

“\* \* \* But the discoverer of a new and useful improvement is vested by law with an inchoate right to its exclusive use, which he may perfect and make absolute by proceeding in the manner which the law requires. \* \* \*” (P. 493.)

Kierulff had this right to file a patent application in July of 1955 when he had completed the drawings of the 16-foot rig. To say that Kierulff’s delay in

filing his patent application until October 8, 1956 deprived him of any rights during this period of time is an absurdity. Not only is it absurd, but the decisions state otherwise.

Thus, we see that not only does the law give an inventor rights under his unpatented and unapplied for invention; but, in addition, Kierulff, by his own acts in 1955 and 1956, shows that *at that time* he believed he had rights to his invention.

In Exhibit AR—the letter written by Kierulff to Commercial in April, 1956, six months before he filed his patent application—Kierulff asserted to Commercial that the K-design of scraploader (the 16-foot scraploader) was his property.

In August of 1955 Kierulff must have understood that he had proprietary rights for the reason that he granted a license to Modern under which he would receive \$2,000.00 per unit [K. 334, 335].

In our present case we are not concerned merely with what rights Kierulff had before he filed a patent application, but we are concerned with the more important question of estoppel and acquiescence. The Trial Court found that Kierulff “was under a duty to assert his rights and state his objections to defendant, its officers, agents, or employees” [R. 427], when he first learned of the facts; and further held, Finding 23 [R. 428]:

“23. As a result of plaintiff’s acquiescence for a period of four-and one-half years, defendant acquired an implied license in the nature of a ‘shop right,’ namely, an irrevocable, non-exclusive, non-assignable and royalty-free right to make and use the machine described in the patent in suit No. 2,919,042.”

The Finding of estoppel or acquiescence is a finding of fact and not a conclusion of law. In *Gill v. United States*, 160 U. S. 426, where this same question of acquiescence and estoppel was considered, the Supreme Court, starting at line 6 on page 435, said: “\* \* \* *The ultimate fact to be proved* is the estoppel, arising from the consent given by the patentee \* \* \*” and this Supreme Court case, on the same page, stated that the consent could be given “\* \* \* *by conduct* on the part of the patentee proving acquiescence on his part in the use of his invention. \* \* \*”

An implied license is of equitable origin, and as stated in *Gill v. United States*, the ultimate fact to be proved is estoppel arising from conduct which shows acquiescence on the part of the inventor in the use of his invention.

It is well grounded law that, if estoppel is proved, it makes no difference that the patentee had not filed his patent application at the time the alleged infringer began making and using the patentee's invention.

In *Gill v. United States*, 160 U. S. 426, the Court found that:

“\* \* \* one or more machines or articles of manufacture embodying the invention, had been constructed and was in operation or use in the arsenal *with the claimant's knowledge* and consent *before he filed an application for a patent*. \* \* \*” (Emphasis added.) (P. 433.)

In *Barton v. Nevada Consol. Copper Co.* (C. A. 9, 1934), 71 F. 2d 381, the process of the patent in suit was used in the business of the Appellee with the knowledge and consent of the Appellant *prior to the application for the patent*. The Court of Appeals

for the Ninth Circuit held, on equitable principles, that Appellee was entitled to use the process of the patent in suit. The Court said:

“\* \* \* And therefore there is no escape from the conclusion that the process was used in the business of the appellee with the knowledge and consent of appellant *prior to the application for the patent.* \* \* \*” (Emphasis added.) (P. 382.)

For additional cases in which the Court held that defendant acquired an implied license before patentee applied for his patent, see: *Lane & Bodley Co. v. Locke*, 150 U. S. 193, at pages 197, 198 and 200; *Gate-Way v. Hillgren*, 82 F. Supp. 546, at pages 548 and 555, affirmed by the Court of Appeals for the Ninth Circuit in 181 F. 2d 1010; *Wiegand v. Dover Mfg. Co.*, 292 Fed. 255, at pages 260 and 261; and *Brill v. St. Louis Car Co.*, 80 Fed. 906, at pages 908 and 909.

### **Kierulff Is Estopped by His Conduct.**

The facts which prove the ultimate fact of estoppel or acquiescence are found in the Trial Court's Findings [Findings 18, 19, 20 and 21; R. 426, 427], **the essential and pertinent facts** of which findings, except as to the exact time the National scraploaders were available for inspection, **are undisputed.**

Kierulff remained silent during the critical period and for four years thereafter, and permitted National to show the scraploaders to Metropolitan, to permit its copying the designs, to furnish drawings and represent that National or Schapiro owned the scraploader invention, and to grant a free license to Metropolitan to duplicate the scraploader.



The law is well settled that a man cannot stand idly by or by his silence encourage another to use the invention he claims, and after the other has detrimentally changed his position, 'compel this other person to relinquish further use of the invention.

*Gill v. United States*, 160 U. S. 426, already referred to, appears to be a leading case on this subject. The facts resemble those in our present case. Gill, having made an invention, and apparently secretly claiming all rights to the invention, permitted the Government to proceed with the building and use of his invention, "\* \* \* giving no intimation, at the time, that he regards it as property or that he intends to protect it by letters patent, but allows the government to test the invention at its own exclusive cost and risk by constructing machinery and bringing it into practical use before he applies for a patent, \* \* \*" (Statement of case in *Gill v. United States*, p. 428).

After the success of the invention was established, Gill then filed a patent application and thereafter sued the United States.

This is exactly what Kierulff did. In October of 1956, after it was apparent to everyone that the invention was an outstanding commercial success, Kierulff then files a patent application and three and one-half ( $3\frac{1}{2}$ ) years later, for the first time, notifies Metropolitan of his rights.

It was not necessary for Kierulff to grant Metropolitan a license in writing in order that they have a right. As pointed out in *Gill v. United States* on page 435, the most conclusive evidence of such consent is an express agreement, but, as the Court pointed out, a license by estoppel or acquiescence, "\* \* \* may



also be shown by parol testimony, or by conduct on the part of the patentee proving acquiescence on his part in the use of his invention. \* \* \*

A party is bound by fair dealing to make known his rights. Gill's failure to assert his rights was the basis on which the Supreme Court in *Gill v. United States* held in favor of the Government. The Supreme Court said:

"\* \* \* A patentee is bound to deal fairly with the government, and if he has a claim against it, to make such claim known openly and frankly, and not endeavor silently to raise up a demand in his favor by entrapping its officers to make use of his inventions. \* \* \*" (p. 437.)

The following quotation from *Gill v. United States* sets forth the principle of law and facts, which fully support the Lower Court's holding and Metropolitan's contentions that Metropolitan cannot be disturbed in its right to make and use the structure of the patent in suit:

"The principle is really an application or outgrowth of the law of estoppel *in pais*, by which a person looking on and assenting to that which he has power to prevent, is held to be precluded ever afterwards from maintaining an action for damages. A familiar instance is that of one who stands by, while a sale is being made of property in which he has an interest, and makes no claim thereto, in which case he is held to be estopped from setting up such claim. The same principle is applied to an inventor who makes his discovery public, looks on and permits others to use it without objection or assertion of a claim

for a royalty. In such case he is held to abandon his inchoate right to the exclusive use of his invention, to which a patent would have entitled him, had it been applied for before such use. \* \* \*” (P. 430.)

Two additional decisions which are appropos of Kierulff’s acquiescence and Metropolitan’s change of position are:

In *De Forest Co. v. United States*, 273 U. S. 236, the Supreme Court of the United States said (at page 241):

“\* \* \* Any language used by the owner of the patent, or any conduct on his part exhibited to another from which that other may properly infer that the owner consents to his use of the patent in making or using it, or selling it, upon which the other acts, constitutes a license and a defense to an action for a tort. \* \* \*”

In *Gate-Way v. Hillgren, et al.*, 82 Fed. Supp. 546, (In 181 F. 2d 1010, the United States Court of Appeals for the Ninth Circuit, “on the ground and for the reasons stated in its opinion, \* \* \*” affirmed the judgment of the District Court), the District Court held (at page 555):

“The doctrine of the shop right is of equitable origin. The principle involved is that where an inventor or owner of an invention acquiesces in the use of the invention by another, particularly where he induces and assists in such use without demand for compensation or other notice of restriction of the right to continue, he will be deemed to have vested the user with an irrevocable, equitable license to use the invention. This situation

between the inventor and employer might, of course, arise by mutual agreement, but generally the situation arises where the inventor induces his employer to proceed and not only fails to object to the use, but stands by or assists, while permitting his employer to assume expense and put himself in a position where it would be to his detriment to be compelled to relinquish further use of the invention. *McClurg v. Kingsland*, 1 How, 202, 11 L. Ed. 102; *Solomons v. United States*, 137 U. S. 342, 11 S. Ct. 88, 34 L. Ed. 667; *Gill v. United States*, 160 U. S. 426, 16 S. Ct. 322, 40 L. Ed. 480. \* \* \*

“‘While it is generally true that questions of shop right arise between employer and employee, such right is not restricted alone to the case of an employer, as the doctrine is only a phase of the broad doctrine of estoppel. **A shop right may arise through any permissive use of the invention**, and particularly so where the inventor instigates such use and participates in it. Robinson on Patents, vol. 2, p. 641, explains and illustrates such a situation.

“‘The doctrine is broad enough to include a case of the permissive use of a person other than an employer. *De Forest Radio v. United States*, 273 U. S. 236, 47 S. Ct. 366, 367, 71 L. Ed. 625.’ *Neon Signal Devices v. Alpha-Claude Neon Corporation*, D. C., 54 F. 2d 793, at page 794.”

The relationship between the parties, the full knowledge on the part of Kierulff, whereby he knew Metropolitan was being led to believe National had full rights to the scraploaders, and the duty and acquiescence out-

lined heretofore, clearly distinguish this case from the decisions of *Marsh v. Nichols, Shepard and Company*, 128 U. S. 605, 612; *M'Millin, et al. v. Barclay, et al.* (Cr. Ct., Pa. 1871), 16 Fed. Cas. 302; and *McWilliams Manufacturing Co. v. Blundell* (Cir. Ct., R. I., 1882), 11 Fed. 419, cited by Kierulff.

### Metropolitan's Change of Position.

Metropolitan changed its position when, believing it had the right to make and use scraploaders of the design of the National scraploaders, it returned to the scraploading business.

Briefly, the evidence shows that Metropolitan, prior to World War II, loaded about 90 per cent of the scrap iron in the Los Angeles-Long Beach Harbor [Tr. 228, 229; B. 5, 6, 7, 8 and 9]. During the war, an embargo on scrap metal exportations caused Metropolitan to discontinue the scraploading business [Tr. 228, B. 5].

After the war Metropolitan was requested by scrap shippers to return to the scraploading business; but Metropolitan was reluctant to do so because of the lack of anticipated profit [Tr. 228, 235; B. 5].

During the latter part of 1954 and early part of 1955, the requests by scrap shippers persisted, so that Metropolitan "canvassed the country" with respect to magnets, and "searched the Coast" in its effort to find a commercially feasible scraploader [Tr. 228, 229; B. 5, 6]. Buchholz testified that he had not seen any scraploader, which he considered satisfactory, to justify a return to the scraploading business, *until* he saw the scraploading devices at National [Tr. 229, 235; B. 5, 6, 7, 8, 11].

Relying on National's permission that it could make and use scraploaders of the design of the National scraploaders, and believing that it had the right to so do, Metropolitan returned to the scraploading business [Tr. 170-W, 170-Y, 170-X, 170-Z; B. 7, 8, 9, 13, 14, 77 and 78], and obviously thereupon spent a great deal of time and money in developing a business.

Metropolitan changed its position when, believing it had the right to make and use scraploaders of the design of the National scraploaders, it, for the purpose of returning to the scraploading business, spent \$44,-389.02 to have three scraploaders of the design of the National scraploaders constructed [Ex. BA].

Metropolitan changed its position when, believing it had the right to make and use scraploaders of the design of the National scraploaders, it created business relations and good will with respect to the loading of scrap iron aboard ships.

Kierulff, in his Brief, devotes one paragraph at the top of page 36 to the effect that Metropolitan did not establish a change of position. The argument is based on the proposition that the rigs were ordered prior to Kierulff's visit to the Metropolitan scrapyards "so manifestly there has been no change of position in reliance on appellant's silence." As stated above, Metropolitan's change of position occurred at the time of its first visit to National in July of 1955, and its change of position occurred during the months of July, August and September, during which time structures were being inspected, drawings were being made and scraploaders were being constructed. Kierulff's duty to speak arose during Buchholz's first visit to National's yard in July of 1955.



It is clear from the facts that if Metropolitan were now deprived of its right to use these structures it would suffer irreparable injury. There are numerous cases indicating what constitutes a change of position, such as satisfies the law of estoppel or acquiescence, and a few of these cases will be referred to.

In *Gill v. United States*, 160 U. S. 426, the change of position was identical to the change of position in our present case, namely, the building and putting into operation a machine embodying Gill's invention.

*Lukens Steel Co. v. American Locomotive Co.*, 197 F. 2d 939, 941 (C. A. 2), expresses very broadly the change required. It says:

“\* \* \* The vital principle, is, that he who, by his language or conduct, leads another to do what he would not otherwise have done, shall not subject such person to loss or injury by disappointing the expectations upon which he acted. Such a change of position is sternly forbidden \* \* \*.”

In *Neon Signal Devices v. Alpha-Claude Neon Corp.*, 54 F. 2d 793, 794, the District Court held that a change of position occurred where the employee permitted the employer to assume the expense of constructing a device “\* \* \* where it would be to his detriment to be compelled to relinquish further use of the invention. \* \* \*”

In our present case Metropolitan would suffer serious detriment if it were compelled to stop using the equipment and these facts are set forth in the first portion of this Section of our Brief.

## Metropolitan's Reply to Kierulff's Argument on Implied License.

Kierulff's argument under the heading "A License" is contained on pages 31 to 41 of his Brief, and is divided into three points which we will answer in order.

### Kierulff's Point (1).

Kierulff's heading under this point, appearing on page 31, reads as follows:

"(1) A holding of license, after hearing evidence on validity and infringement can have legal significance only if the Trial Court was convinced that appellee was using the patented invention (infringement) and that the patent was valid. If the patent is either invalid or not infringed, a holding of implied license is a futile judicial gesture."

We find absolutely no merit to Kierulff's contention that the Lower Court could not hold implied license unless it had reached the conclusion that the patent was valid and infringed.

There is no reason whatsoever why the Lower Court could not decide that Metropolitan has a license under the patent in suit and thus dispose of the law suit without going into the numerous defenses involving invalidity and non-infringement.

On page 7 of this Brief we have pointed out the decisions which make it clear that in a patent case the Court may dispose of the case by deciding only one of the issues involved.

This Court did not make "\* \* \* a tacit finding of validity and infringement" as stated by Kierulff on page 32 of his brief. The best evidence of that is that the Court said it did not reach the issues of validity and infringement and the Court made no findings [R. 429].

Kierulff's Point (2).

Kierulff's heading under this point, appearing on page 32, reads as follows:

"(2) Appellee did not obtain an implied license, or license by estoppel, because at the time appellant observed the scraploaders in use at appellee's scraploading yard, appellant had no enforcible right and no duty to complain, and appellee did not change its position in reliance on appellant's silence."

Under this point Kierulff argues there is no implied license on two grounds: first, because at the time Kierulff observed the scraploaders in use at Metropolitan's scraploading yard, Kierulff had no enforcible right or duty to complain; and, second, Metropolitan did not change its position in reliance upon Kierulff's silence.

In this Brief, starting at pages 28-29 we have discussed in detail the rights which an inventor has after he has made his invention and prior to the time that he files his patent application.

In the middle of page 33 Kierulff erroneously states: "\* \* \* Appellant had no enforcible right, indeed not even an inchoate right, at the time he witnessed the use of his invention. \* \* \*". When Kierulff made his invention, it was his property,<sup>9</sup> and he most certainly did have at least an inchoate right. This is clearly set forth in the case of *Gayler, et al. v. Wilder*, quoted on page 29 of this brief.

The case of *Marsh v. Nichols, Shepard and Company*,

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<sup>9</sup>Under a separate defense that Kierulff made the invention as an employee of National, we also argued in the Lower Court that National owned the invention and granted Metropolitan a license. Inconsistent defenses may be pleaded in Patent Cases.

128 U. S. 605, cited by Kierulff, in the second line of page 34 quotes from *Gayler, et al. v. Wilder*, 10 How. 477, 493. This case, immediately following the quotation used from the *Nichols* case, states at 51 U. S. 493, starting at line 9:

“\* \* \* But the discoverer of a new and useful improvement *is vested by law* with an inchoate right to its exclusive use, which he may perfect and make absolute by proceeding in the manner which the law requires. \* \* \*”

Thus, even Kierulff's authorities point to the correct law.

In *M'Millin, et al. v. Barclay, et al.*, quoted at the bottom of page 34 of Kierulff's Brief, is an entirely different factual situation. Nevertheless, it does indicate that under the right facts and circumstances there may be equitable estoppel. The first six lines of Kierulff's quotation state:

“I have failed to discover any evidence upon which an equitable estoppel in favor of the respondents can rest. It must necessarily grow out of some declaration or act of the applicant, by which they were induced to believe that they might rightfully or innocently use the invention now claimed by him. \* \* \*”

*McWilliams Manufacturing Co. v. Blundell*, quoted from on page 35 of Kierulff's Brief is a case in which at the time of the asserted estoppel plaintiff's patent had *already* issued. Hence, notice of plaintiff's rights was not a factor. As stated in Walker on Patents, “\* \* \* All Letters Patent are recorded in the Patent Office. (U. S. Code, Title 35, §39.) This constitutes ‘notice to the world’ of their existence.” (Walker on Patents, Deller's Edition, Volume 3, p. 2176).

On page 36 Kierulff devotes one paragraph to the question of change of position. This point has been fully discussed in Metropolitan's Brief under the heading "Metropolitan's Change of Position", page 37.

**Kierulff's Point (3).**

Kierulff's heading under this point appearing on page 36 reads as follows:

"(3) Appellee could not have received a license from National (a stranger to this action) because National, at most, had only a personal and non-transferable 'shop right.'"

Kierulff is now confusing the two separate defenses referred to in the subnote on page 41.

Under the Court's ruling of an implied license from Kierulff to Metropolitan, Kierulff's argument under this point is irrelevant. Whether or not National owned the invention and granted Metropolitan a license is a defense not decided by the Lower Court. However, under *Gate-Way v. Hillgren, et al.*, 82 F. Supp. 546 (affirmed by this Circuit at 181 F. 2d 1010), a license and a shop right can exist concurrently. See 82 F. Supp. 554.

Starting on the last line of page 37, Kierulff erroneously states that National never made a claim to Kierulff's invention. This is not true. In 1955 Schapiro openly asserted his ownership and openly granted rights to others to make drawings and copy the scrap-loaders. See this Brief starting at pages 23-24. Furthermore, as fully discussed heretofore, Kierulff knew these facts, but remained quiet and allowed Metropolitan to be misled.

As a subheading under point (3), Kierulff states:

"a. The defense of equitable ownership in a stranger to the action (National) is not available to appellee." (P. 40).



Kierulff appears to answer the questions raised in this section when, on page 41, he admits: “\* \* \* the decision refers specifically to an implied grant directly from appellant to appellee [R. 388].”

**Metropolitan's Reply to Additional Arguments in  
Kierulff's Brief on Defenses Not Based on the  
Trial Court's Findings of Fact.**

The major portion of Kierulff's Brief is directed to Metropolitan's defenses raised in the Lower Court but on which the Lower Court did not make findings. Kierulff's arguments on these other defenses start on page 41 of his Brief. We will answer his arguments in the order in which they appear.

**Metropolitan's Reply to Kierulff's Section "B. Public Use"  
(Kierulff Brief, page 41).**

Under "Public Use" Kierulff's point (1) reads:

“(1) The jury rig cannot constitute ‘public use’ as it was substantially different in design from the patented invention.”

On page 41 of his Brief, Kierulff argues that the design of the jury rig was materially different from the patented rig so as not to constitute a bar. This is not so. The identity between the jury rig and the scraploader of the patent in suit satisfies the requirements of 35 U. S. C., Section 102.

Kierulff, on page 41, admits “the ‘invention’ of course means the claimed invention”. Metropolitan adopts this as an accurate statement of law. To show that “the claimed invention” is embodied in the jury rig, Exhibit AM, Metropolitan has applied the corresponding elements of claim 2 to Exhibit AM on the opposite page.

6247

8. a trolley (5, K. 223) comprising an open generally square rigid frame (6, K. 223) having two opposite sides spaced in accordance with the spacing of said beams, said opposite sides being guided and supported on said beams, a circular track (7, K. 223, 226), truss-support means rigidly connecting angularly spaced parts of said circular track to adjacent spaced parts of said generally square frame and positioning the same above and symmetrically with respect to said generally square frame,

D-2083-0  
EX-13

HAND-WINCH

ROLLER

ROLLER

ROLLER

D-2081-0  
EX-14.

C. a turntable (12, K. 226) guided (by rollers 13, K. 227-228) for rotation and supported on said circular track and including centrally thereof

E. a chute suspension bar (32, K. 253) at one side of said turntable,

COAMING

A ship-loading crane, comprising

A. an elongated rigid rectangular frame (1, K. 220) including spaced beams (2, K. 220) adapted to span and rest upon opposite sides of a hatch coaming,

STRONGBACK  
34

D-2082-0  
EX-15

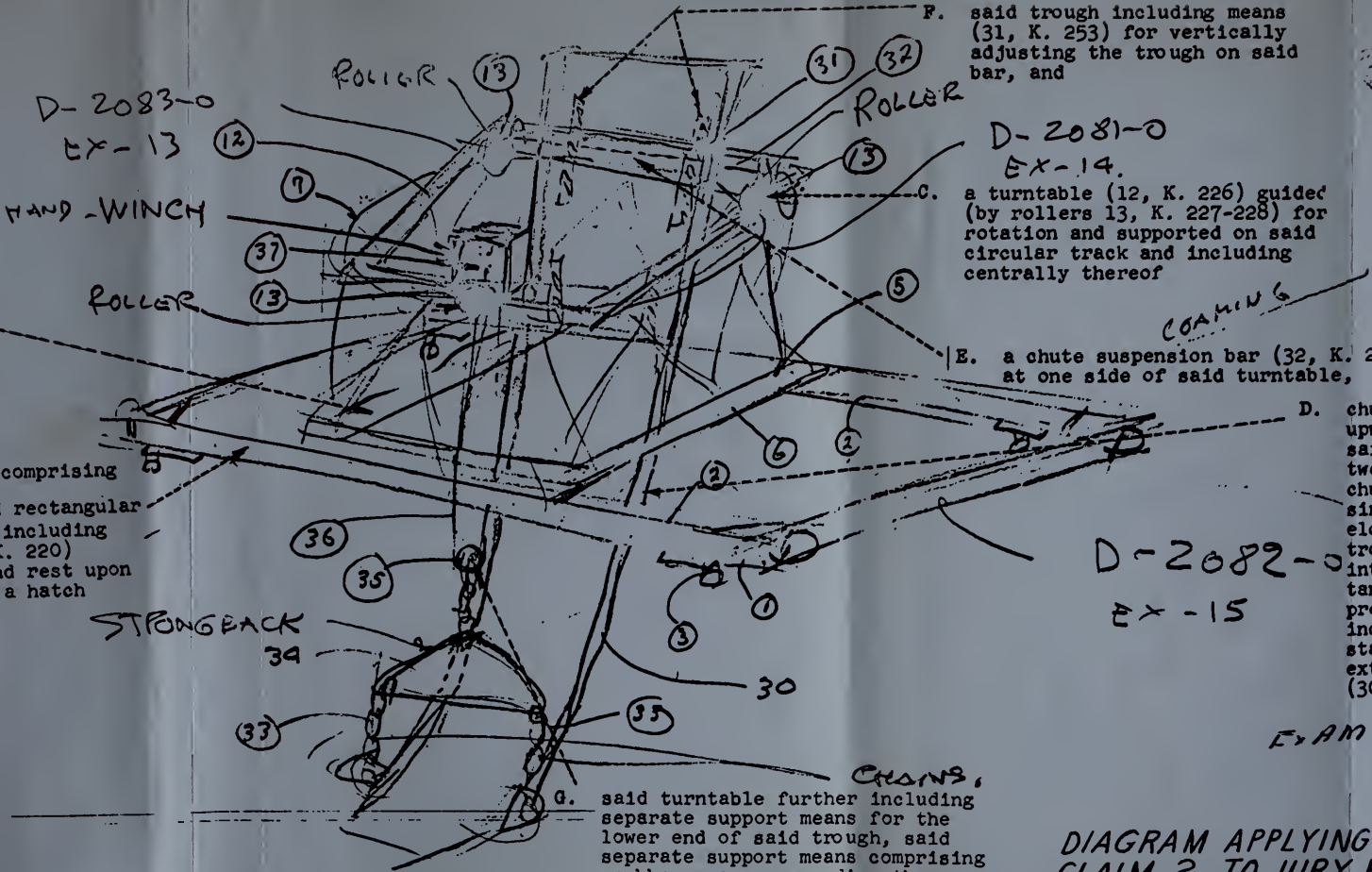
D. chute-loading means projecting upwardly of and extending within said trolley and discharging between and below said beams, said chute-loading means comprising a single continuously upwardly open elongated downwardly inclined trough having a main body with an integral arcuate discharge end tangent thereto, the horizontal projection of said downwardly inclined trough spanning substantially the full diametrical extent of said circular track (30, K. 251-253),

EX-AM

CHAINS,

G. said turntable further including separate support means for the lower end of said trough, said separate support means comprising snubber means suspending the lower end of said chute (33, 34, 35, 36, 37, K. 255-256) from the side of said turntable generally diametrically opposite from said bar.

DIAGRAM APPLYING ELEMENTS OF  
CLAIM 2 TO JURY RIGS - EXHIBIT A M





The jury rig (there were two) was explained in detail by Kierulff starting on page 211 of his deposition.

In describing the structure shown in his sketch, Exhibit 29 to the Kierulff deposition, which is AM of the Trial Transcript, Kierulff numbered each of the parts.

Kierulff testified that the main parts of the jury rig, namely, the rectangular frame 1, the trolley 5 and the turntable 12, correspond to Modern Drawing D-2082-0, Exhibit 15 to the Kierulff deposition. Drawing D-2081-0, Exhibit 14 to the Kierulff deposition, and Drawing D-2083-0, Exhibit 13 to the Kierulff deposition. It will be noted that Kierulff has applied these drawing numbers and exhibit numbers to Exhibit AM.

Claim 2 has been divided into elements A to G, inclusive. The elements have been separated and are placed near to the part they refer to in order to avoid long lead lines.

Also, in each of the claim elements following the statement of a part referred to, we have placed in parenthesis the number of the part and the location in Kierulff's testimony where the description can be found. For example, taking Element A "an elongated rigid rectangular frame [1, K. 220]". The numeral "1" is the number of the elongated rigid rectangular frame as shown on Exhibit AM, and "K. 220", is the page of the deposition where this part is referred to.

With respect to the jury rigs as first used on June 21, 1955, Kierulff testified:

1. That the jury rig has recoil-absorbing chute-suspension means on the turntable [K. 251];
2. That the chute-suspension means includes "downwardly open elongated hook-shaped lugs car-



ried by said chute near the upper end thereof one of said lugs engaging said bar” [K. 252]; and

3. That the jury rig has “snubber means suspending the lower end of said chute from the opposite side of said turntable generally diametrically opposite said bar” [K. 252-253].

The case of *Paraffine Companies v. McEverlast, Inc.*, 84 F. 2d 335, involved the question of identity between the alleged public use device and the device of the patent in suit. The Court of Appeals for the Ninth Circuit held (at pp. 339 and 340) that the requisite identity was present because the alleged anticipating device embraced the features of novelty claimed in the patent in suit.

Under “Public Use” Kierulff’s point (2) on page 46 of his Brief reads:

“(2) The jury rig cannot constitute ‘public use’ of the patented invention, as its use was understood to be experimental by the inventor, the customer and others closely associated with the use.”

From June 21, 1955 to the Spring of 1956, the jury rigs were in public use because:

1. Continuously from the instance of their first use, the jury rigs were commercially successful, and used publicly for purposes of trade and profit.

2. The jury rigs were under the *exclusive* control of National, and not Kierulff.

In his Brief at pages 46-49, Kierulff inconsistently argues experimental use “even though the rig was sold for profit to National” (Kierulff Br. p. 48).

Schapiro testified that there was a commercial need for scraploading devices and that National’s purpose



in purchasing the jury rig was to supply that need. On page 170-I of the Trial Transcript, Schapiro said:

“Q. Now, at the time that you had these jury rigs built was there a commercial need in your organization for such a loading device? A. Yes, there was.

Q. And was it your purpose in purchasing these rigs that these jury rigs supply that need? A. Yes.”

Schapiro further testified that on June 21, 1955, the first ship was loaded with the jury rigs, that the use of the jury rigs in loading ships was commercial and that National got paid for the use of the jury rigs. He testified as follows:

“Q. When did you first load a ship with the jury rigs? A. We loaded our first rig—with the first rig on June 21, 1955.” [Tr. 170-G].

Q. Now, were those uses of the jury rigs in loading ships what you would classify as commercial jobs? A. We loaded ships which we had chartered; and we also loaded ships for concerns other than ours during this period of time.

Q. And you got paid for the use of these jury rigs? A. We did.” [Tr. 170-H].

The jury rigs when placed in use on June 21, 1955 were an immediate and outstanding success. Schapiro on page 170-H of the Trial Transcript testified that National received approximately \$4.25 to \$4.50 per ton for loading scrap with the jury rigs, and that the jury rigs were used to load 20 to 30 ships, the average ship having a capacity of 9100 tons [K. 141]. Thus, from June 21, 1955 to the Spring of 1956 [K. 140] when they were discarded because they were worn out

from use [Tr. 170-G], the jury rigs earned from \$773,500.00 (20 ships loaded) to \$1,160,250.00 (30 ships loaded).

During the crucial period—the period prior to October 9, 1955 (the application for the patent in suit was filed October 9, 1956, and the statutory bar period began to run October 9, 1955), the jury rigs were used to load three ships, each having a capacity of 9100 tons [K. 141, 142]. At the rate of \$4.25 per ton [Tr. 170-H], the jury rigs during the period June 21, 1955 to September 26, 1955 [K. 141] earned \$116,025.00 by loading the S. S. Atlantic Wave, Lagos Ontario and Arietta.

Moreover, the efficiency, time and monetary savings effected by the jury rigs are the attestations of their commercial success. Kierulff, in his answers to defendant's request for admissions under Rule 36 [R. 328, 329 and 330], admitted that the jury rigs decreased the loading time from a range of 21 to 18 days to a range of 14 to 12 days, decreased the loading time 40 per cent of what it had theretofore been, saved roughly \$136.00 per hour, effected a savings of approximately \$10,000.00 for each ship loaded, showed a substantial superiority over prior art equipment, and paid for themselves over and over again.

In *Electric Battery Co. v. Shimadzu*, 307 U. S. 5, 20, the Supreme Court of the United States said:

“\* \* \* The ordinary use of a machine or the practice of a process in a factory in the usual course of producing articles for commercial purposes is a public use.”

In *Smith and Griggs Mfg. Co. v. Sprague*, 123 U. S. 249, 256, the Supreme Court of the United States said:

“\* \* \* but where the use is mainly for the purposes of trade and profit, and the experiment is merely incidental to that, the principal and not the incident must give character to the use. \* \* \*”

At the end of the Fabian Deposition [Ex. BQ], at page 40, lines 1 to 10, counsel for Kierulff stipulated:

“Mr. Calimafde: It is hereby stipulated by and between counsel that if Mr. Shapiro were called to testify he would state that the jury rig as illustrated in Exhibit 29 was in use at his scrap yard and docks to load a number of ships more than one year prior to October 8, 1956, and that the operation was as testified by Mr. Kierulff; that during the use of such rig no attempt was made to exclude the public from observing the use of such rig and that the employees were not sworn to secrecy.

“Mr. Whann: So stipulated.”

Thus, it is admitted that jury rigs went into public use. The proof and the above stipulation of public use more than a year prior to the filing date of the patent in suit, shifted the burden to Kierulff to establish by clear, full, unequivocal, and convincing evidence that the use was experimental.

In *Randolph v. Allis-Chalmers Manufacturing Co.* (C. A. 7, 1959), 264 F. 2d 533, at page 536, the Court said:

“The burden of proving that the public use for more than one year was necessary for the perfection of the invention by full, unequivocal and convincing proof was on the plaintiff. \* \* \*”

In discussing the nature and character of an experimental use, the Court in *Randolph v. Allis-Chalmers Manufacturing Co.*, *supra*, at page 535 said:

“\* \* \* however, use for experimental purposes must be conducted in good faith for the purpose of testing the qualities of the invention and for no other purpose not naturally incident thereto. *Hobbs v. Wisconsin Power & Light Company*, 7 Cir., 1957, 250 F. 2d 100, 108.”

It is significant that Kierulff was unable to produce any *facts* showing that the uses of the jury rigs were experimental. The evidence upon which Kierulff so heavily relies to establish “experimental use” is the characterization of the use as experimental by three witnesses. “Experimental use” is a question of fact, and ought not to be determined solely by the characterization of the use as “experimental”. In *Jordan v. Hemphill* (C. A. 4, 1950) 180 F. 2d 457, 462, the Court said:

“\* \* \* ‘A very limited number’ of these machines were made and operated to produce fabrics or hosiery in 1927, according to Hutton, who characterized the machines as ‘experimental models.’ However, whether or not the use of a machine is or is not purely ‘experimental,’ is not to be determined solely on a mere characterization as such, particularly when this characterization comes from a deeply interested witness.”

Kierulff and Fabian, co-owners of the patent in suit, and, therefore, deeply interested witnesses, characterized the use of the jury rigs as “experimental”. Schapiro after being lead on cross-examination, and six



years after the use of the jury rigs, testified that "in looking back" he thought he was experimenting with the jury rigs [Tr. 170-WW].

When the jury rigs were put into use on June 21, 1955, it was obvious that the rigs should be larger and the turntable should be circular rather than trapezoidal. Accordingly, the 16-foot rig with the circular turntable was built and delivered to National on July 29, 1955 [Tr. 170-M, Exs. E and G].

If the jury rigs had not been commercially successful, Schapiro would have retired them and put the 16-foot rig into immediate use. But the jury rigs had already demonstrated their commercial success by earning \$38,000.00 in loading the S. S. Atlantic Wave and decreasing the loading time by forty per cent. Schapiro, therefore, continued to use the jury rigs to load scrap steel aboard ships *for profit*, and, according to Kierulff's contentions, allowed the 16-foot rig to lie idle on the National docks until the middle of October, 1955.

A further memorial to the great commercial success of the jury rigs is the fact that after the 16-foot rig was put into use, the jury rigs were used in conjunction with the 16-foot rig to load scrap steel aboard ships [R. 333, 334]. Indeed, the jury rigs were used together with the 16-foot rig, because the 16-foot rig did not have the capacity to satisfy the need at that time. Kierulff, on cross-examination, testified as follows:

"A. The reasons for their use was that the added 16-footer was not enough to load a ship, so therefore they continued with the two jury rigs."  
[K. 482].



On or about July 31, 1955, one of the jury rigs was modified to include a snubber spring and a jib boom, as shown in Exhibits BD and BE. These alterations were not vital to the operation of the jury rigs. The snubber spring was nothing but a shock absorber to relieve the rest of the apparatus from heavy shocks, and the jib boom permitted the chute to be extended a greater lateral distance. Without the snubber spring and the jib boom the jury rigs had already successfully operated to earn substantial revenue for National.

In view of the astronomical profits and savings effected by the jury rigs and the fact that the addition of the snubber spring and jib boom constituted slight changes, and did not affect the principle of the jury rigs, Kierulff's position that the jury rigs were used experimentally is untenable.

In *Smith and Griggs Mfg. Co. v. Sprague*, 123 U. S. 249, the Court said (at page 265):

"\* \* \* There are few machines, probably, which are not susceptible of further development and improvement, and the ingenuity of mechanics and inventors is commonly on the alert to discover defects and invent remedies. The alterations made in the machine in question, however useful, were not vital to its organization. Without them, it could and did work so as to be commercially successful."

In *E. L. Mansure Co. v. Consolidated Trimming Corp.* (D. C., S. D. N. Y., 1936), 16 F. Supp. 608, 609, 610, aff'd. 90 F. 2d 1006, the Court said:

"\* \* \* But the issue is one of fact, and the weight of evidence is the other way, that the new machines

worked well from the start, *that they were in commercial operation all along, that the changes made were slight and did not affect the principle of the machine*, that while some loops were missed by the first machines, the missing was due to inexperience of the operators, and there is a certain amount of missing on to-day's machines. Certainly from the fall of 1917 on, commercial use was the principal use, experiment no more than the incident." (Emphasis added.)

In *W-R Co. v. Sova*, 106 F. 2d 478, the Court said (at p. 481):

"(3) Where the idea of an appliance has been conceived and the conception carried into effect by its construction, which is used or capable of being used for the purpose for which designed, it is no longer an experiment but an invention. (Citing cases.)

\* \* \* \* \*

"At the time the appliance was removed and taken to the drafting department of the company, no further experimentation was necessary to perfect it. Nothing had to be done in a substantial way to change its character. It was a workable, commercial, valuable appliance. *Jenner v. Bowen*, 6 Cir., 139 F. 556."

**The Jury Rigs Were Under the Exclusive Control of National and Were Not Within the Control and Direction of Kierulff.**

At the time the jury rigs were built and sold by Modern to National, Kierulff was an engineer employed by Modern, delegated to do the engineering [R. 326, 327]. National placed the order for two jury rigs with

Modern and Modern built the important parts and delivered them to National. On June 20, 1955 Modern charged for time and material, including engineering time spent in designing. Modern's motive for making this sale was clearly profit and not experimentation [R. 324, Exs. D and BI]. The sale of the jury rigs conveyed complete unrestricted title to National. When the parts were delivered they were in the full possession and control of National. Kierulff had absolutely no control over the sale by Modern or the use by National.

Schapiro testified to these facts of possession and control as follows:

“Q. When these rigs were delivered to you in June of 1955 were they delivered to your possession and control? A. Yes, they were.

Q. And after that date did you exercise, or your company exercise, full control over the use of these rigs? A. We did.” [Tr. 170-I].

It is well established law that if an invention is sold to a third party without any restriction or limitation or obligation of secrecy, whatever use the purchaser makes of the apparatus is a public use. *Elizabeth v. Pavement Co.*, 97 U. S. 126, 135, the leading United States Supreme Court authority for the “experimental use” doctrine, contains the following statement of law which is germane to the sale to and the unrestricted use by National:

“But if the inventor allows his machine to be used by other persons generally, either with or without compensation, or if it is, with his consent, put on sale for such use, then it will be in public use and on public sale, within the meaning of the law.” (P. 135).

In *Randolph v. Allis-Chalmers Manufacturing Co.*, *supra*, the Court said at page 535:

“\* \* \* ‘Public use’ may properly be defined as any utilization of the invention by one other than the inventor where the user is under no limitation, restriction or obligation of secrecy to the inventor. (Authorities cited). \* \* \*”

Under the authority of these two cases, since it has been convincingly established that Kierulff exercised no control over the use of the two jury rigs, it then becomes immaterial whether or not the primary purpose of National was experimental or for profit.

Kierulff recognizes that the question of control by the inventor is an important factor. In his brief, on page 46, he states: “It is also important that the inventor maintain control over his invention.”

On page 48 Kierulff argues that “Shapiro further testified that appellant retained control over the design considerations of the rig during the experimental use \* \* \*.” Kierulff cites pages 170-WW and 170-XX of the Trial Transcript in support of his argument that he retained control over the design considerations of the rig. Metropolitan feels compelled to answer this argument on two grounds:

First, Kierulff fails to distinguish the intangible from the tangible. If any other person uses the machine which contains the intangible design features of the invention, the requisite control is lost. In *Elizabeth v. Pavement Co.*, *supra*, the Court said: “So long as he does not voluntarily allow others to make it and use it, and so long as it is not on sale for general use, he keeps the invention under his own control, and does not lose his title to a patent.”



Secondly, it is difficult to understand Kierulff's reasoning in citing TR. 170-WW and 170-XX in support of his position that he retained control over the design considerations of the rig. The only portion of the material cited and relied upon which could in any way be pertinent is Mr. Calimafde's question [Tr. 170-WW]:

“Did you have an arrangement with Mr. Kierulff in regard to the control that he would exercise over the experimentation with the first jury rig and the first 16-foot rig, Mr. Schapiro?”

But Schapiro answered [Tr. 170-WW]:

“I don't understand that question.”

There is not one iota of evidence that Kierulff exercised any control or had any right to exercise any control over the jury rigs or over the 16-foot rig. As a part-time employee of National Kierulff performed services for National in accordance with instructions he received from Schapiro. The evidence shows that Schapiro exercised full control on behalf of National even to the extent of inviting competitors to see, make drawings of, and copy and use the equipment.

An overall survey of the evidence shows no material conflict of the facts relative to the public use of the two jury rigs. Summarizing the important facts:

1. There was a need for a scraploader at the time National ordered the jury rigs built by Modern [Tr. 170-I];
2. They were purchased to satisfy this need [Tr. 170-I];
3. National had exclusive control over them [Tr. 170-I];



4. They were publicly used [Fabian 40, Tr. 170-H];
5. They were used for profit [Tr. 170-H];
6. From the very first they were overwhelmingly successful [R. 328-330];
7. They were in continuous use long after the 16-foot rig was delivered to National [R. 333, K. 482];
8. The jury rigs were used concurrently with the 16-foot rig because the 16-foot rig was inadequate [K. 482]; and
9. They were, in fact, used until worn out [Tr. 170-G].

We respectfully submit that Kierulff's argument that these uses were experimental because they were understood to be experimental (Kierulff Br. p. 46), is wholly inadequate to overcome the bold facts of commercial use for profit as shown above.

**Metropolitan's Reply to Kierulff Section "C. Partial Conclusion of the 'Basic' Issues" (Kierulff Brief page 53).**

In the Lower Court we urged invalidity and non-infringement based on all defenses pleaded, introduced in evidence and argued. Metropolitan prevailed in this litigation on one defense, namely, implied license. Should this Court not agree with the Lower Court, Metropolitan urges that there is invalidity and noninfringement based on all of the other defenses.

**Metropolitan's Reply to Kierulff's Section "D. Prior Sale" (Kierulff Brief page 54).**

The facts supporting prior "on sale" which would invalidate the patent in suit are contained in plaintiff's Admissions under Rule 36, Admissions Nos. 147 to 156 [R. 353-355].

Under 35 U. S. C. Section 102(b) it is only necessary that Metropolitan establish that the scraploader of the patent in suit was "on sale" more than a year prior to the filing date of the patent in suit.

In August, 1955, when Kierulff offered to sell three scraploaders of the design of the patent in suit to Metropolitan, the asserted unique parts of this scraploader had been delivered to National and Metropolitan and its fabricator Wilmington had inspected such structures. In fact, they were favorably impressed and, upon permission of National, had taken measurements and made sketches.

Prior to his visit Kierulff had made an arrangement with Modern under which Modern could manufacture and sell these scraploaders [R. 351, K. 334, 335]. When Kierulff, on behalf of Modern offered to sell three scraploaders to Metropolitan, the written offer of sale and the detailed specifications attached thereto, Exhibits AT and AU, were the *exact structure which Metropolitan had seen at National*.

It is believed that the case of *Chicopee Mfg. Corp. v. Columbus Fiber Mills Co.*, 165 F. Supp. 307, correctly sets forth the rule of law which should be applied here. In that case the Court held that there was an "on sale" within the meaning of 35 U. S. C. §102(b) which invalidated the patent in suit. There had been no actual sale or delivery more than a year prior to the filing date of the patent in suit. In the *Chicopee* case, the prospective customer was shown samples. In our present case Metropolitan saw the actual structure at National and the offer to sell by Modern contained the exact specifications of parts of the structure which Metropolitan had previously seen at National. The

*Chicopee* case, starting on page 323 of 165 F. Supp. presents what we believe to be the correct analysis of the “on sale” law. The Court, on page 325, right-hand column says:

“This Court recognizes the force of plaintiff’s argument that there is a valid basis for holding ‘on sale’ to embrace only that conduct which ‘creates an opportunity for present public use,’ as held in *Burke Electric Co. v. Independent Pneumatic Tool Co.*, supra, but is of the opinion that in the instant case plaintiff’s conduct created just such an opportunity. The cloth represented by P-47 was completed in 1947. The plaintiff was satisfied with it and solicited orders with the then present ability and desire to fill the same. \* \* \*”

In our present case the structure had been completely designed, exact details and drawings had been made, a structure had been delivered to National, Metropolitan had seen the structure, and Kierulff, acting on behalf of Modern, being satisfied with it, solicited orders with the then present ability and desire to fill the same.

We believe the law is clear and that Kierulff’s activities warrant holding his patent invalid on the ground of “on sale” more than a year prior to his filing date.

**Metropolitan’s Reply to Kierulff’s Section “E. Prior Art”  
(Kierulff Brief page 55).**

Kierulff’s discussion of the subject “Prior Art” starts at page 55 and continues through to page 63. For the most part it deals with presumptions of validity and misses the essential proposition on which Metropolitan in the Lower Court asserted that the patent in suit was invalid.

The patent to Guhlen, *et al.*, No. 2,186,292, found in Exhibit B, book of prior art references, shows the entire combination of elements, except the turntable is not a ring-shaped turntable, as shown in the patent in suit. Kierulff testified that Guhlin, *et al.* dealt with the same problem he was facing [K. 379]. It was Metropolitan's position in the Lower Court that the claims of the patent in suit are limited by file wrapper estoppel to a snubber spring. However, Kierulff has argued that the claims are not limited to a snubber spring and has admitted that the snubbing action of Kierulff is performed by the cable 60 of Guhlin, *et al.*

Kierulff's counsel, on page 2 of plaintiff's Supplemental Memorandum in Support of Motion for Reargument and Reconsideration Filed March 22, 1961 [R. 239] stated:

"On page seventeen, Mr. Whann advances the argument that if snubber means is construed to cover simply a wire rope then such snubber means is disclosed in the Guhlin *et al.* patent. With this contention we agree. \* \* \*" [R. 240, lines 6-9].

It is also Metropolitan's position that the jury rig, Exhibit AM, became a part of the prior art when it went into public use in June of 1955. That structure also includes all of the elements except that the turntable is not ringshaped. At this point it should be remembered that claims 2 and 3 are not limited to a "ring-shaped turntable", and, therefore, under Kierulff's construction of the claims those two claims squarely read on the jury rig as it existed in June of 1955, the jury rig as it existed in August of 1955, after the snubber spring had been added to it, and the structure disclosed in the Guhlin, *et al.* patent.



Metropolitan's expert witness, John L. Ryde, testified that ring-shaped turntables were old in the art and to show this referred to the patents to Moore No. 221,848, Bradford No. 619,128 and to Mullen No. 635,391, all in Exhibit BH [Tr. 256, 257 and 259].

It is the position of Metropolitan that using a ring-shaped turntable on the jury rig, Exhibit AM, or in the structure of the Guhlin, *et al.* Patent No. 2,186,292, is a mere aggregation because no new result is accomplished. Mr. Ryde testified as follows:

"Q. Now, do you find any different cooperation in the circular turntable and base of the Kierulff patent than you find in the prior art which you have talked about? A. Not insofar as the turntable. No, there is no difference in the way the turntable operates.

Q. If you take the jury rig of Exhibit AM and substitute a circular table for the trapezoidal table, is there any new co-action between the parts? A. No.

Q. Do they each perform the same function which they performed before? A. Each performs the same function as they performed before.

The Court: Is there a different result produced?

The Witness: No different result is produced."  
[Tr. 259-260].

It is well established law that aggregation such as we have claimed in the Kierulff patent is unpatentable. See *Lincoln Engineering Co. v. Stewart-Warner Corp.*, 303 U. S. 545, which states at page 549:

"\* \* \* The mere aggregation of a number of old parts or elements which, in the aggregation, perform or produce no new or different function or operation than that theretofore performed or produced by them is not patentable invention. \* \* \*"



Also see *Pursche v. Atlas Scraper and Engineering Co.*, 300 F. 2d 467, 475, wherein this Court's decision in *Eagle v. P. & C. Hand Forged Tool Co.*, 74 F. 2d 918, 920 is quoted.

It appears that at the time (May or early June, 1955) drawings were being made for the jury rig, various alternatives for the shape of the table were considered. Exhibit 12 to the Kierulff deposition, in the upper left-hand corner shows a triangular frame, a trapezoidal frame, and a horseshoe-shaped frame, in which at least one-half of the turntable was circular. Faintly below these different frame shapes is an outline of a circular shape and it may well be that a circular turntable was considered at that time, particularly since Kierulff testified that he was familiar with circular turntables [K. 515].

**Metropolitan's Reply to Kierulff's Section "F. Conclusion on Validity" (Kierulff Brief page 63).**

In view of the fact that the substitution of a ring-shaped turntable for a trapezoidal-shaped turntable does not produce any new results *in combination*, the claimed structure is a mere unpatentable aggregation and the claims are, therefore, invalid. It is only claim 1 which is limited to the ring-shaped turntable. The other two claims, 2 and 3, are invalid in view of the prior art, particularly Guhlin, *et al.* and the jury rigs of Exhibit AM.

**Metropolitan's Reply to Kierulff's Section "G. Infringement" (Kierulff Brief page 63).**

There is no dispute that the original Metropolitan structures, while embodying substantial improvements, include the elements of Kierulff's patent claims, except for the limitation in claim 1 which reads "the

upper frame defining a circular track substantially spaced above said lower frame by substantially the deck-to-deck spacing of a ship." Metropolitan, after being charged with infringement, eliminated the snubber spring in its structure, which is equivalent to the spring 36 of the patent in suit; and filed a counterclaim to bring this revised structure in issue. Metropolitan made a Motion for Summary Judgment [R. 201] and after numerous hearings and rehearings Summary Judgment was granted [R. 213], which held that the Metropolitan structures as modified to eliminate the snubber spring *did not infringe any of the claims of the Kierulff patent*. The Findings of Fact, Conclusions of Law and Partial Summary Judgment appear in the Record, pages 234-239.

At the conclusion of the trial the Court withdrew its Findings of Fact, Conclusions of Law and Partial Summary Judgment and decided the entire case solely on the question of license.

It is submitted that the Partial Summary Judgment [R. 238] is correct as to facts and law; and that even in the absence of a license, Metropolitan's *present* structures do not infringe any of the claims of the patent in suit because such claims are limited by file wrapper estoppel.

Metropolitan's Reply to Kierulff's Section "H. Damages and Attorneys' Fees" (Kierulff Brief page 76).

Kierulff states:

"In view of the admitted falsification of real evidence, the contradictory testimony given by appellee's witnesses, the dispute in open court between appellee's counsel and one of his witnesses regarding the veracity of his testimony, and the

wilful and deliberate copying of appellant's invention, this case qualifies as exceptional under 35 U. S. C. §284 and §285."

Kierulff's accusation of falsification of evidence is without any foundation and is frivolous.

The facts concerning the time of making the drawing Exhibit BL are as follows: prior to the time Kierulff took Buchholz deposition Mr. Calimafde requested Metropolitan to produce all drawings, photographs, etc. The drawing, Exhibit A to the Buchholz deposition, was one of a number of drawings produced. This drawing, on its face, showed many erasures, some of which were referred to at the deposition [B. 16, 17 and 18]. In fact, the drawing was changed shortly before defendant's answer and counterclaim was filed, in order that it would serve as an exhibit thereto [R. 21].

Mr. Calimafde asked questions about the drawing and had it marked for identification [B. 15]. After the conclusion of the Buchholz deposition, Mr. Calimafde then withdrew this drawing, Exhibit A for identification, making the following statement:

"Mr. Calimafde: I wish to withdraw from Plaintiff's Exhibits Exhibit A, which I offered for identification, on the grounds that it is hearsay, it is apparently a sketch drawn by an individual with the initials R.H.S. who has not appeared to testify that he made the drawing, also for the reason that Mr. Buchholz has testified that he did not see the draftsman prepare the drawing; further, for the reason that the drawing exhibits many erasures and suggests alterations and changes. These are all the reasons I can think of right

now. Maybe a little more time and I can think of a few more. But it constitutes the worst kind of hearsay evidence, therefore, I withdraw it from Plaintiff's Exhibits.

"Further, I move to strike all of Mr. Buchholz' testimony which bears on the date appearing on Exhibit A. The drawing, insofar as it illustrates a rig with a circular turntable, may be used for purposes of discussion and some discussion has been made by both Mr. Buchholz and Mr. Kierulff in regard to the accused equipment. Defendant's Exhibit 39 is a photocopy of the vellum of Exhibit A.

"Now to the extent that the photocopy is used to illustrate a piece of accused apparatus, Plaintiff does not object. To the extent that Exhibit A or any photocopy thereof is used to establish the veracity or correctness of the date of August 1, 1955, we move to strike the Exhibit and all the testimony relating thereto.

"It served its purpose, but I just wanted to be sure its purpose was understood by all." [K. 509-510].

Shortly before trial it was learned that the draftsman Shanley was working for the U. S. Borax & Chemical Corporation at Carlsbad, New Mexico. He was contacted and agreed to make the trip to Los Angeles to testify as to his knowledge of the facts.

Metropolitan put Shanley on the stand and at that time he produced prints of drawings which had been in his possession continuously since 1955, when they were made, until they were turned over to Metropolitan's counsel shortly before trial.



On direct examination Shanley testified that his records showed that he made the drawings Exhibits BL and BK on Thursday the 25th of August, 1955 [Tr. 193]. On cross-examination, Mr. Calimafde questioned Shanley as to how the date of August 1, 1955 got on the drawings. Shanley testified he did not know why the drawings which he made on August 25 were dated August 1 [Tr. 200].

Buchholz testified in his deposition that he saw the drawing Exhibit A for identification, "about August 1, 1955," and when his attention was called to the fact there was apparently an erasure where the date appeared on the drawing, Buchholz stated that he believed the date of August 1 was correct [B. 15].

At the trial, on cross-examination by Mr. Calimafde, Buchholz's attention was called to his statement about seeing a drawing about August 1, 1955 [Tr. 238]. He was then shown Exhibit BK, one of the prints produced by Shanley from his files, and Buchholz testified that Exhibit BK might correspond to the drawing he had testified about during his deposition [Tr. 240]. Calimafde then called his attention to his answer of seeing the drawing "about August 1, 1955", and Buchholz answered:

"A. Somewhere along this time, yes. I don't believe I ever received one. I saw this thing every day down on Mr. Stone's desk." [Tr. 240].

From these facts Mr. Calimafde draws his baseless conclusion that "the false date, August 1, 1955, was obviously placed on the drawing in support of Buchholz's testimony that he had seen the drawing Ex. BL prior to Kierulff's visit on August 23, 1955. \* \* \*" (Kierulff Br. p. 76, last paragraph).



At the time Buchholz testified he had no diary nor memorandum to refresh his recollection, and counsel for Metropolitan believes that a more logical conclusion would be that Buchholz, assuming the date of August 1, 1955 to be correct, used that date as the date that he first saw the drawing. Also we believe it more logical to conclude that the drawing Exhibit BL was not predated for fraudulent reasons, but was probably predated because Shanley made the drawing from sketches furnished by Stone; and Stone had made his sketches during a visit to National's yard during the first part of August, 1955.

Kierulff, next to last paragraph on page 76 of his Brief, states: "At the trial, for the first time, we learned that the now infamous drawing [Ex. BL], which appellee held out as its cornerstone of the public use defense was falsified." This statement is incorrect on two grounds:

First, the cornerstone, if such term is to be used, for Metropolitan's defense of prior public use, is the structures which were made by Modern, and shown in the sketch Exhibit AM, which Kierulff made and described in detail during his deposition, to explain the construction of the jury rigs as first used on June 21, 1955.

Second, from the very first it was known that this drawing, Exhibit A, had been changed many times and it was observed that erasures had been made in many places. As a matter of fact, promptly after the conclusion of the Buchholz deposition, Mr. Calimafde disclaimed any reliance on the drawing and withdrew it from evidence as referred to above.

Metropolitan never at any time relied on the drawing, Exhibit A to the Buchholz deposition, or Exhibits BL and BK, and has never asserted that the drawings were made prior to August 25, 1955, the date Metropolitan's witness Shanley testified that he made the drawing.

The evidence clearly shows, as discussed heretofore, that Stone, Ponsen, Buchholz and Brunskill saw the jury rigs and the 16-foot rig at National's yard in July or August, 1955 [Find. 9, R. 424, Find. 12, R. 424-425, and Find. 13, R. 425, Tr. 233]. The 16-foot rig was seen and measured by Ponsen and Stone during the early part of August, 1955. See this Brief pp. 18-19 wherein the testimony is quoted.

The evidence was all before the Lower Court and the Court made no finding of fraud or falsification. It was Metropolitan which produced Shanley whose positive testimony established the exact date that Exhibits BL and BK were made.

This Court should not consider Kierulff's argument with respect to treble damages and attorneys' fees because:

1. Treble damages and attorneys' fees may be awarded only to the prevailing party *in the District Court*.
2. Treble damages and attorneys' fees are allowable in the discretion of the District Court, *not the Court of Appeals*.

3. Kierulff is not entitled to treble damages and attorneys' fees because the Trial Court did not make a finding of unfairness or bad faith.

4. Kierulff waived his right to a consideration by this Court of his arguments with respect to treble damages and attorneys' fees because his Statement of Points on Which He Intends to Rely contained no point or points with respect to treble damages or attorneys' fees.

**Treble Damages and Attorneys' Fees May Be Awarded Only to the Prevailing Party in the District Court.**

Section 284 of Title 35, U. S. C. provides in part:

*"Upon finding for the claimant* the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

"When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed." (Emphasis added.)

Section 285 of Title 35, U. S. C. provides:

"The court in exceptional cases may award reasonable attorney fees to *the prevailing party*. July 19, 1952, c. 950, §1, 66 Stat. 813." (Emphasis added.)

Kierulff, who is seeking treble damages and attorneys' fees, was not the prevailing party in the District Court.

Treble Damages and Attorneys' Fees Are Allowable in the Discretion of the District Court, Not the Court of Appeals.

In *Randolph Laboratories v. Specialties Develop. Corp.*, 213 F. 2d 873, the Court of Appeals for the Third Circuit said (at page 875):

“\* \* \* Treble damages and attorneys fees are also allowable *only* in the discretion of the district court. \* \* \*”

See also, *Kemart Corporation v. Printing Arts Research Lab., Inc.*, 269 F. 2d 375, at page 394.

Since Metropolitan was the prevailing party in the District Court, it can hardly be argued that the District Court abused its discretion by failing to award attorneys' fees to the losing party Kierulff.

**Kierulff Is Not Entitled to Treble Damages and Attorneys' Fees Because the Trial Court Did Not Make a Finding of Unfairness or Bad Faith.**

As previously stated (Metro. Br. p. 1), the Trial Court's findings of fact were limited to the single issue of implied license. This Court in *Rohr Aircraft Corporation v. Rubber Teck, Inc.* (C. A. 9, April 21, 1959), 266 F. 2d 613, said (at page 624):

“The law is clear on the question of attorneys' fees, and was stated by this Court in *Park-In-Theatres v. Perkins*, 9 Cir., 1951, 190 F. 2d 137, 142, that in patent cases attorneys' fees should be awarded only in extraordinary cases, ‘*bottomed upon a finding of unfairness or bad faith.*’ See 35 U.S.C. §285, authorizing courts ‘in exceptional cases’ to award reasonable attorney fees.”

It is therefore submitted that since Kierulff's request for attorneys' fees is not supported by a finding of unfairness or bad faith, he is not entitled to an award of attorneys' fees.

**Kierulff Waived His Right to a Consideration by This Court of His Arguments With Respect to Treble Damages and Attorneys' Fees Because His Statement of Points on Which He Intends to Rely Contained No Point or Points With Respect to Treble Damages or Attorneys' Fees.**

Kierulff's Statement of Points on Appeal [R. 432] includes fourteen paragraphs, but not one of these paragraphs relates to treble damages or attorneys' fees. Kierulff, pursuant to Rule 17.6, Rules of the United States Court of Appeals for the Ninth Circuit, filed a document entitled, "Appellant's Notice of Adoption of Points on Appeal and Designation of Record on Appeal," in which he adopted his statement of points on appeal under Rule 75(d), F.R.C.P. Thus, Kierulff, at the time he filed the record in this Court, restricted the points on which he intended to rely to those contained in the fourteen paragraphs of his statement of points on appeal under Rule 75(d), F.R.C.P., and waived his right to a consideration by this court of his arguments with respect to treble damages and attorneys' fees. (See Argument and Law in this brief starting at p. 4).



### Conclusion.

It is respectfully submitted that the Trial Court was correct in deciding that Metropolitan acquired a royalty-free implied license to make and use the scraploaders of the patent in suit, and that the judgment of the Trial Court should be affirmed.

Respectfully submitted,

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### Certificate.

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

R. WELTON WHANN



